

Message Text

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ACTION EA-09

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E.O. 11652: N/A

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SUBJECT: PALAU CTS - NAKAMURA VISIT TO TOKYO

REF: TOKYO 3409; TOKYO 4016; TOKYO 4467

1. SUMMARY. PALAU ASSEMBLYMAN NAKAMURA TOLD A PRESS CONFERENCE LAST MONTH IN JAPAN THAT, WHILE HE BELIEVES SOME ECONOMIC DEVELOPMENT IS NECESSARY FOR PALAU, NO DECISION ON THE CTS WILL BE TAKEN UNTIL THE RESULTS OF BOTH THE FEASIBILITY STUDY AND AN ENVIRONMENTAL STUDY ARE IN. JAPANESE INTERESTS, BOTH BUSINESS AND GOVERNMENT, APPEAR AT THE PRESENT TIME TO BE LUKEWARM TOWARDS THE PALAU PROJECT. END SUMMARY.

2. THE AUTHORITATIVE ECONOMIC JOURNAL, NIHON KEIZAI, HAS REPORTED ON THE MARCH 8 TOKYO CONFERENCE GIVEN BY TOSHIO NAKAMURA, ASSEMBLYMAN FROM PALAU, WHO WAS VISITING JAPAN WITH TWO COLLEAGUES, NGIRATKEL ETIPSON, AND MASAICHI ETITERENGEL, TO SURVEY THE CURRENT STATUS OF JAPANESE THINKING REGARDING THE PALAU CTS PROJECT. ACCORDING TO LIMITED OFFICIAL USE

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THE NIHON KEIZAI, NAKAMURA MADE THE FOLLOWING POINTS:

-IT IS IMPORTANT TO ESTABLISH A SOLID ECONOMIC BASE IN THE ISLAND, PARTICULARLY BEFORE 1981, WHEN THE U.S. TRUSTEE-SHIP ENDS. AT PRESENT, THERE IS NO INDUSTRY OF ANY SIGNIFICANCE ON THE ISLAND, THE ONLY INCOME BEING FROM THE 5,000 TOURISTS WHO VISIT ANNUALLY;

-THE CTS SITUATION WILL BECOME CLEARER DURING HEARINGS OF THE U.S. SENATE'S INTERIOR AFFAIRS COMMITTEE, SCHEDULED FOR MARCH 24. PRIVATE COMPANIES IN THE U.S., JAPAN AND IRAN AND PALAU GOVERNMENT OFFICIALS ARE EXPECTED TO ATTEND;

-A DECISION ON BUILDING A CTS IN PALAU WOULD BE MADE AFTER STUDYING THE RESULTS OF A FEASIBILITY STUDY, WHICH HE BELIEVES IS NECESSARY FOR THE ECONOMIC DEVELOPMENT OF PALAU;

-OPPOSITION TO THE CTS BASED ON ENVIRONMENTAL GROUNDS WILL NOT HELP THE ECONOMIC DEVELOPMENT OF THE ISLAND; THE CORAL REEF SHOULD BE USED FOR THE BENEFIT OF THE RESIDENTS. HOWEVER, HE HAD ASKED THE U.S. GOVERNMENT IN 1976 TO HAVE AN ENVIRONMENTAL STUDY MADE BY AN OUTSIDE GROUP AND ON THE BASIS OF THIS STUDY, AND THE FEASIBILITY STUDY, THE PALAUANS WOULD DECIDE WHETHER TO PERMIT THE CTS.

3. THE EMBASSY DISCUSSED NAKAMURA'S REMARKS WITH NISSHO-IWAI, AND WITH THE INDUSTRIAL BANK OF JAPAN, BOTH OF WHOM FELT THAT MR. NAKAMURA'S STATEMENT OF THE STATUS OF THE CTS WAS ACCURATE. MR. UENO OF NISSHO-AWAI ADDED THAT THERE HAD BEEN LITTLE PROGRESS ON THE MATTER FOR OVER SIX MONTHS, AND SAID THAT THE FEASIBILITY STUDY AND THE ENVIRONMENTAL STUDY WOULD BE CARRIED OUT CONCURRENTLY. (SEE TOKYO 4467 ON NISSHO-AWAI "SITE SURVEY" UNDER LICENSE FROM TRUST TERRITORY GOVT.). THE LIMITED OFFICIAL USE

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INDUSTRIAL BANK OFFICIALS INDICATED RELUCTANCE TO MOVE ON THE PALAU PROJECT STEMS FROM SEVERAL FACTORS, INCLUDING UNCERTAINTY OVER THE INVESTMENT CLIMATE ON THE ISLAND, ENVIRONMENTAL DEBATES AND LACK OF INFRASTRUCTURE (INCLUDING REAL ESTATE OWNERSHIP LAWS) AS WELL AS THE CURRENT SURPLUS OF SUPERTANKERS AND THE UNCLEAR STATUS OF SUCH A FACILITY ON PALAU UNDER GOJ (AND IEA) STOCKPILE RULES. HE ADDED THAT THE INTERNATIONAL CTS ASSOCIATION GAVE MITI IN AUGUST 1976 A PRELIMINARY REPORT ON THE PROSPECTS FOR SUCH A CTS ON LOMBOK IN INDONESIA BUT HAD NOT CONCLUDED A CONTRACT WITH MITI FOR A SIMILAR STUDY ON PALAU, AND THUS MONIES APPROPRIATED FOR THIS STUDY IN THE FY 76 BUDGET WERE NOT SPENT (SEE TOKYO 4016).

4. IN A GENERAL DISCUSSION OF JAPAN'S STOCKPILING PROGRAM, A MITI OFFICIAL (ICHIRYU, DEPUTY DIRECTOR, REFINING DIVISION, PETROLEUM DEPARTMENT, ENERGY AGENCY) SAID THAT, ALTHOUGH THERE SEEMED TO BE CERTAIN ADVANTAGES IN CTS OPERATIONS (E.G. ABILITY TO MIX DIFFERENT KINDS

OF CRUDE, AVAILABILITY OF LAND FOR TANK SITES), MITI'S PLANS CALL FOR CONSTRUCTION OF TANKS TO MEET THE IEA 90-DAY RESERVE REQUIREMENT ON JAPANESE TERRITORY, AND THAT NO FURTHER RESERVE REQUIREMENT IS CONTEMPLATED.

5. IN A SUBSEQUENT DISCUSSION WITH MR. TOSHIO OCHIAI, DEPUTY DIRECTOR, DEVELOPMENT DIVISION, (RESPONSIBLE FOR OVERSEAS ACTIVITIES), PETROLEUM DEPARTMENT, OF MITI'S AGENCY FOR NATURAL RESOURCES AND ENERGY, MR. OCHIAI SAID THAT MITI HAS MADE NO POLICY DECISION ON THE PALAU PROJECT. IT HAS BEEN BRIEFED BY PRIVATE GROUPS INVOLVED ON THE BACKGROUND OF THE PROJECT, BUT THERE ARE MANY QUESTIONS WHICH MUST BE RESOLVED BEFORE THE GOJ BECOMES INVOLVED. BASIC WOULD BE THE WISHES OF THE PALAUANS, BUT THERE ARE ALSO QUESTIONS REGARDING THE CONSTRUCTION SITE, TANKER COSTS, AND A STABLE SUPPLY OF (IRANIAN) OIL. A GREAT DEAL OF STUDY WOULD BE NEEDED TO LIMITED OFFICIAL USE

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ESTABLISH THE ECONOMIC FEASIBILITY OF THE PALAU PROJECT, WHICH MAY NOT BE ATTRACTIVE UNLESS IT INCLUDES REFINING AND/OR PETROLCHEMICAL FACILITIES. AT THE PRESENT TIME, THE GOJ DOES NOT INCLUDE OVERSEAS CTS IN ITS OIL STORAGE PLANS.

6. COMMENT. JAPAN'S CURRENT RESERVE STORAGE CAPACITY IS ABOUT 75 DAYS, ALTHOUGH OVERALL CAPACITY IS UPWARDS OF 90 DAYS IN ORDER TO MEET PEAK STORAGE REQUIREMENTS DURING OCTOBER-DECEMBER PERIOD. PLANS HAVE ALREADY BEEN ANNOUNCED FOR CONSTRUCTION OF ADDITIONAL CAPACITY IN OKINAWA AND NIIGATA AND THERE IS TALK OF A 6 MILLION KL SITE IN KAMI-GOTO ISLANDS OFF NAGASAKI. MR. ICHIRYU SAID THAT SOME 20 OTHER SITES ARE NOW BEING SURVEYED, BUT HE DECLINED TO IDENTIFY THEM. OUR GENERAL IMPRESSION FROM TALKING WITH GOVERNMENT AND INDUSTRY REPRESENTATIVES IS THAT, ALTHOUGH ANY SCHEME WHICH WILL BRING OIL CLOSER TO JAPAN WILL GENERATE SOME INTEREST HERE, THE PALAU PROJECT IS NOT BEING ACTIVELY PURSUED AT THIS TIME.

7. THE PALAUANS' VISIT, INCIDENTALLY, COINCIDED WITH THE VISIT HERE BY HARVARD PROFESSOR JULIAN GRESSER, REPORTED (TOKYO 3409) REFTEL. WE CAN NOW ADD TO THAT CABLE THAT THE DIET SECRETARIAT HAS CONCLUDED THAT PETITIONS CAN PROPERLY BE RECEIVED FROM FOREIGNERS. PROFESSOR GRESSER DID NOT CONTACT EITHER THE EMBASSY OR MR. OCHIAI'S OFFICE REGARDING HIS VIEWS. SHOESMITH

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Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
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